

r&c worlds *Express*

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Highlights

- Chinese shoppers were once again the Internet's most avid shoppers – shopping more often and on more devices than any other respondents.
- Consumers are making less distinction between manufacturers and retailers, and a strong brand can make for a very loyal customer.
- Good deals were a driver for attracting shoppers to a brand's social media site, but an interest in new product offerings was equally compelling.

China's surprising shoppers

The overlapping of China's "growth revolution", the Internet revolution and the rapid rise in China's mobile network have combined to create a perfect storm of able and active Chinese shoppers. As of December 2013 the country had more than 618 million Internet users, about 81% of whom are connecting via mobile.¹ That's 81 mobile cellular subscribers per hundred people, as of 2012 by far and away the largest number of cellular subscriptions in the world.

And when it comes to online shopping, Chinese consumers' enthusiasm seems to have no bounds. In 2012 Chinese online shopping transactions totaled 1.3 trillion RMB (\$190 billion)² compared to the US at \$225 billion, but the US lead won't last long, as Chinese e-commerce is on track to surpass, with forecasts of \$541 billion by 2015³. An unofficial Chinese holiday has already become the biggest online shopping event in the world. Single's Day, November 11, (that's the four lonely 1's of 11/11, by the way) racked up more than \$5.75 billion in online sales (15% on mobile devices), far surpassing America's Cyber Monday.

Retailers everywhere are lining up to get in on the action; global retailers like Nike, Adidas and Procter & Gamble even participated in Singles Day promotions. "It is a fact that consumer behavior and spending patterns have changed. E-commerce has a tremendous impact on us...", according to CHEN Long, the chairman of retail conglomerate China Resources Enterprise, Limited.⁴

A recent PwC report looked into the mindset and shopping habits of 15,000 shoppers in 15 countries, including China, where 900 interviews were conducted: 401 in Tier 1 cities, 302 in Tier 2 and 197 in Tier 3. As they have in previous years, Chinese shoppers were once again the Internet's most avid shoppers – shopping more often and on more devices than any other respondents.

¹ China Internet Network Information Center (CNNIC)

² China Internet Network Information Center (CNNIC) quoted in Techcrunch.com 4/16/2013

³ Bain and Company China's e-commerce prize, 2013

⁴ 17th Annual Global CEO Survey, PwC

76% of our Chinese respondents said they shop online at least weekly using their most-used device, compared to just 26% of global shoppers.

Gone shopping

The explosive growth in China's digital market has come as technology has moved quickly into the center of Chinese consumers' lives. The average Chinese person spends about 20 hours per week online⁵, and the Internet offers a wealth of shopping opportunities. As a result, 76% of our Chinese respondents said they shop online at least weekly using their most-used device, compared to just 26% of global shoppers. Chinese consumers are also experienced online shoppers, 69% having made their first online purchase between three and nine years ago (compared to 51% of global shoppers).

And their reasons for purchasing online? Serious bargain hunting. 68% of Chinese shoppers indicated they are looking for lower prices; the ability to shop 24/7 (46%) is also a driver. Clothing and footwear; books, music, movies and video games; and health and beauty items were the most often-purchased product categories by our respondents in the last 12 months. On the other end of the scale, jewellery and watches and do-it-yourself/home improvement items were least likely to have been purchased online.

⁵ www.go-globe.com

Tech-savvy consumers

When it comes to devices used for shopping, early-adopter Chinese shoppers led the way. Of our Chinese shoppers, 51% said they shopped with their smartphones at least once a month, up from 35% in last year's survey. A mere 21% of global respondents said the same even this year. Mobile browsers and apps were about a toss-up in terms of the choice for shopping via phone – 79% of Chinese respondents said they used a mobile app at least monthly while 76% said the same for mobile browsers. Apps were generally preferred for speed, whereas browsers were perceived to be more convenient; as everyone knows, a clunky app will turn shoppers away.

For Chinese shoppers who did not like using their smartphone for shopping, the overwhelming issue was security (67% versus only 39% of global shoppers). There is good reason for this concern, as in 2012 almost 32% of Chinese consumers who made purchases on the Internet were victims of scams, and online fraud cost those consumers almost 31 billion RMB (\$4.8 billion), according to the China Electric Commerce Association.

Complaints about the screen being too small were the second most often-chosen reason for not using smartphones to shop, and this was about the same for Chinese and global respondents, at 40% and 41% respectively. Tablet use everywhere is on the upswing and, for mobile shopping and browsing, the larger screen provides a better view. 46% of Chinese shoppers said they shopped either weekly or monthly this way (up from 36% last year), while only 20% of global respondents did. On the other end of the scale, while a full 59% of global shoppers said they never used tablets to shop, only 34% of Chinese shoppers said they never did – another indication of its growing popularity.

Social media mavens

Chinese are the most active social media users in the world, according to a 2012 study by McKinsey & Company. 91% of respondents in that survey said they had visited a social media site in the last six months, compared to 67% in the US. They are also more likely

to use social media for shopping. Of our Chinese respondents, a full 50% said they shopped that way at least a few times a year, more than twice the number of global respondents and by far the largest percentage of any other emerging market in the survey. The categories most likely to be purchased were clothing (69%) and consumer electronics (61%). A full 86% said they had purchased products using social media, as opposed to only 48% of global shoppers who had.

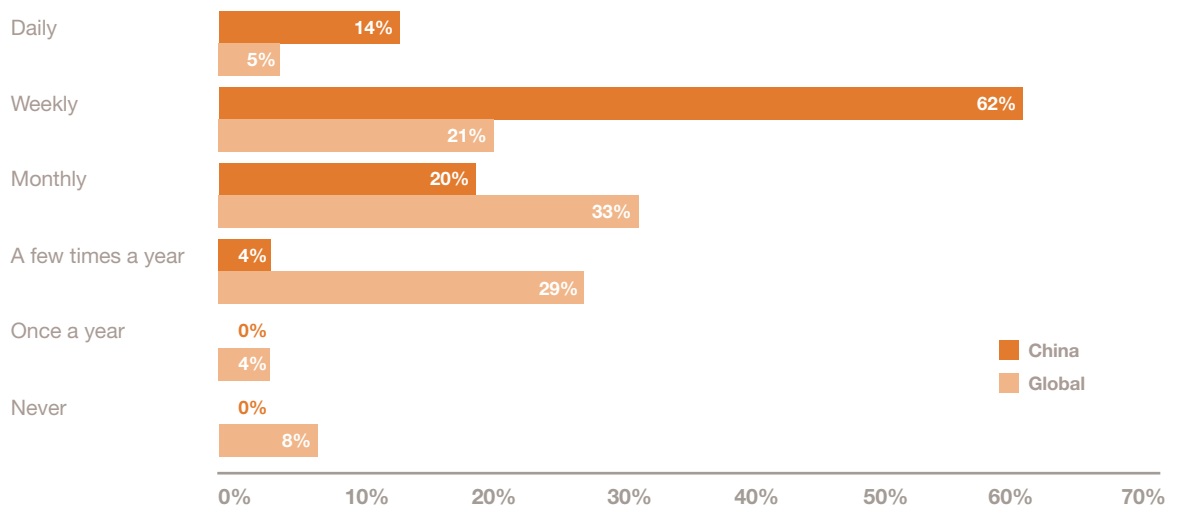
Again, good deals were a driver for attracting shoppers to a brand's social media site (37%), but an interest in new product offerings was just as likely to attract Chinese shoppers' interest. And while the number of these shoppers that were attracted to social media by good deals stayed about the same as compared to last year's survey, the number drawn there by an interest in new product offerings jumped from to 38% from 28%.

Chinese shoppers still like to see and feel the goods before buying, as 43%

6 China Social Media Boom, 2012, McKinsey and Company

On average, how often do you buy products online via your most used device for online shopping?

(Chinese survey)



Source: PwC Global Multi-channel Survey 2013

said they shopped weekly and 35% monthly in stores, about the same percentage as in last year's survey. When they do choose to shop in store rather than online, it's mainly to be able to see, touch or try the merchandise (68%). But many are clearly not stuck on the in-store experience. What happens when a retailer closes down a favorite store? Given a choice of six responses, 53% said they'd find the next closest store and go there, but 58% of Chinese shoppers said they'd start or increase ordering from the website.

Direct to consumer fair game

As online sales growth continues to overtake traditional retailing, consumers are making less distinction between manufacturers and retailers, and a compelling brand can make for a very loyal customer. When we asked global consumers whether they had bought directly from a brand online, only 22% of global respondents told us they didn't shop directly from manufacturers. More startlingly, only 6% of

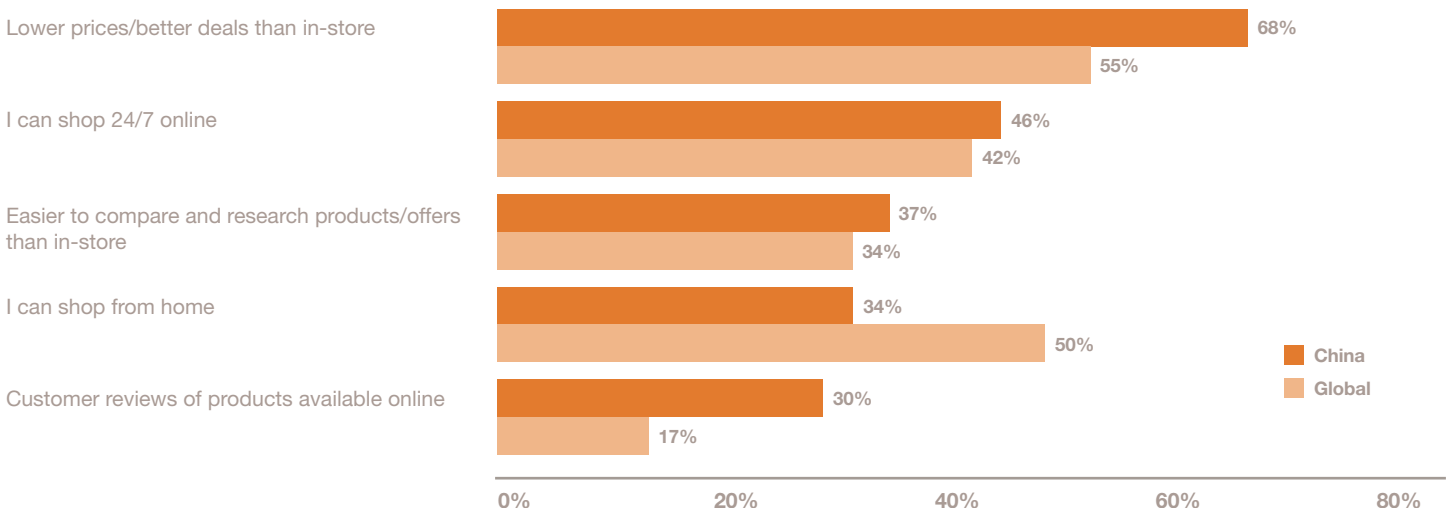
Chinese respondents said they did not, indicating the strong pull for shoppers to certain brands.

While the reasons for shopping directly are often simple: chiefly, lower price (62%) or a larger range of choices (45%), 18% of Chinese shoppers chose love of brand/loyalty as the reason. This compares to just 11% of global shoppers, and underscores the fact that brand is where a manufacturer holds an intrinsic advantage over a retailer – and that this may be even more the case for Chinese shoppers. Clothing and footwear, electronics and household appliances were the most likely categories to be purchased directly from brands online; clothing and footwear being the clear leader (65%). By comparison, just 51% of global shoppers had purchased clothing and footwear directly from the brand online.

There have long been a number of regulatory obstacles for domestic shoppers in China to purchase goods

Why do you buy products online instead of instore?

(Chinese survey – top 5 results)



Source: PwC Global Multi-channel Survey 2013

online from international retailers, which may be one reason why, when asked how often they shopped from an overseas retailer/pure player during the last year, 45% of the entire Chinese group of respondents said they never did (40% of Tier 1, 50% of Tier 2 and 47% of Tier 3). 35% of Chinese respondents said they had, between 1-5 times in the last year (38% of Tier 1, 33 % of Tier 2 and 34% of Tier 3 city respondents), and very few had done more than that. Again, clothing and footwear; consumer electronics; books, music, movies and video games; and health and beauty were the main types of products purchased. While the top provinces for online spending are still located along China's east coast, online spending is actually growing faster in

some of the less-developed provinces in the west where Tier 2 and 3 cities are located, and this is expected to continue.

Chinese consumers' are clearly avid adopters of technology for shopping, and the Internet will draw huge numbers of additional shoppers throughout the country in the next few years. Innovations by retailers and consumer products companies will make the shopping experience even more fun and efficient as time goes by. The trick will be for companies to tap into the insights and technology available to meet the needs and expectations of these engaged and active customers.

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Resources

For more in-depth reading about Chinese and global consumers' multichannel shopping habits, read *Demystifying the Online Shopper: 10 myths of multichannel retailing* at www.pwc.com/r&c.

John G. Maxwell

Global Retail & Consumer Leader
john.g.maxwell@us.pwc.com

Mike Brewster

Global Retail & Consumer Marketing
michael.j.brewster@us.pwc.com

Susan Eggleton

Global Retail & Consumer Marketing
susan.eggleton@us.pwc.com

Denis Smith

Global Retail & Consumer Marketing
denis.s.smith@hk.pwc.com

www.pwc.com/r&c

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